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USWEST

Glenn Brown
Executive Director-
Public Policy

March 13, 1998

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
Washington, D.C. 20554

RE: CC Docket 96-45

Dear Ms. Salas:

Today I met with Kevin Martin, Legal Advisor to Commissioner Harold Furchtgott-Roth, to review U S WEST's proposed Interstate High Cost Affordability (IHCAP) plan. The attached charts were used during our discussion.

In accordance with Section 1.1206(a)(2) of the Commission's Rules, the original and four copies of this letter, are being filed with your office for inclusion in the public record for the above-mentioned proceedings. Acknowledgment of date of receipt of this transmittal is requested. A duplicate of this letter is provided for this purpose. Please contact me if you have questions. Thank you for your consideration.

Please contact me if you have any questions.

Sincerely,



cc: Kevin Martin

INTERSTATE HIGH COST AFFORDABILITY PLAN (IHCAP)

- **The LEC industry absolutely, positively cannot afford to miss the January, 1999 start date for explicit interstate support for non-rural LECs.**
 - **The Interconnection decision opened LEC markets by making UNEs and local service resale available. Local competition is taking hold.**
 - **The Access Reform decision began the process of reducing interstate access rates toward cost.**
 - **The third leg of the stool must be implemented on schedule to avoid severe impact to rural and high-cost customers.**
- **The 75/25 plan does not accomplish the goals of the 1996 Act**
 - **Many state PUCs, state Legislators and other spokespeople for rural America have filed comments with the FCC stating this.**
 - **FCC has a statutory responsibility to assure “sufficient” explicit support to assure “reasonably comparable” rates between urban and rural areas of the nation.**
 - **This legislative mandate cannot be met by dealing solely with the interstate portion of separated costs.**
- **To address these concerns, IHCAP utilizes two benchmarks for the determination of high cost support:**
 - **Primary Benchmark - Costs above Primary Benchmark split 75/25 between state and interstate jurisdictions up to “Super Benchmark”.**
 - **Super Benchmark - Costs above the Super Benchmark are recovered from the interstate jurisdiction.**
- **Some states cannot totally recover current implicit supports through new explicit mechanisms without creating affordability concerns.**
 - **Generally these are states which lack large concentrations of low-cost urban customers.**
 - **Empirical evidence suggests that recovering all costs over \$50/month from the interstate jurisdiction leaves all states with a “solvable” problem.**
- **IHCAP is consistent with present methods for recovery of high costs.**
 - **For both “rural” and “non-rural” LECs, costs above 115% of the national average are assigned to the interstate jurisdiction.**
 - **This assignment of high costs is in addition to the basic 25% allocation of NTS costs.**

- **IHCAP is consistent with the eight “principles” described by Chairman Kennard.**
 - **Primary responsibility is assigned to the states for removal of implicit supports and establishment of explicit support, with no loss of urgency for states to complete this task.**
 - **IHCAP results in the minimum interstate fund size to achieve statutory goals.**
 - **IHCAP is competitively neutral.**
 - **IHCAP is simple, consistent with present support methods, and can be implemented in the time available.**

- **IHCAP is superior to the plan developed by the NARUC Ad Hoc Working Group.**
 - **Both plans are similar in that they attempt to identify states which will need additional federal assistance to meet the mandates of the 1996 Act.**
 - **The Ad Hoc plan uses statewide averages of cost.**
 - **Averaging implies implicit support. Competitive markets require less implicit support, not more.**
 - **Averaging costs among all companies in a state creates implicit support between potential competitors.**
 - **Basing support statewide averages of cost is a concept of the monopoly 1980’s.**
 - **The IHCAP targets support to benefit high cost users.**
 - **Competitive markets and the need to minimize overall fund size requires careful targeting of support dollars.**
 - **The Ad Hoc Plan requires both “non-rural” and “rural” LECs to come under the plan at the same time.**
 - **Funds are provided as “block grants” to the state PUCs for distribution to LECs.**
 - **Rural LECs are scheduled to remain under present support mechanisms until at least 2001.**
 - **The Rural Task Force to advise the FCC on explicit support for rural LECs has not yet been appointed.**

HOW MANY CUSTOMERS SUPPORT EACH HIGH-COST CUSTOMER?
(NON-RURAL LEC STUDY AREAS ONLY)

stateid	Totlines	Lines > \$50	Lines/>\$50
MS	1,185,210	225,278	5
WV	776,326	118,096	7
KY	1,672,422	177,495	9
AR	848,296	83,953	10
MT	311,085	29,770	10
VT	331,470	30,995	11
AL	2,101,681	194,971	11
ID	578,972	49,844	12
WY	221,982	19,065	12
MO	2,881,496	226,167	13
SD	255,527	19,386	13
OK	1,585,379	119,529	13
ME	651,597	45,224	14
NE	792,539	54,093	15
ND	235,548	15,946	15
IN	3,168,932	182,867	17
MN	2,352,496	132,109	18
VA	4,029,810	212,821	19
LA	2,161,959	111,913	19
TN	2,713,895	136,913	20
IA	995,730	49,735	20
NM	725,499	36,216	20
WI	2,650,099	131,117	20
SC	1,502,650	72,645	21
NC	3,950,135	187,374	21
KS	1,222,537	50,295	24
TX	10,449,569	427,783	24
GA	3,881,849	152,093	26
OH	6,267,407	219,836	29
NH	724,804	24,529	30
MI	5,755,154	175,990	33
CO	2,270,706	67,091	34
AZ	2,225,122	62,184	36
OR	1,376,480	38,416	36
IL	7,378,715	189,906	39
WA	3,044,486	77,439	39
PA	7,258,883	148,121	49
UT	935,397	17,461	54
NV	937,114	11,788	79
HI	704,179	8,666	81
DE	509,854	5,969	85
FL	9,479,041	94,587	100
NY	11,702,236	105,519	111
CA	20,521,641	176,261	116
MD	3,367,642	26,732	126
AK	149,078	611	244
MA	4,272,096	14,892	287
CT	1,991,162	5,872	339
RI	643,137	1,005	640
NJ	5,887,531	2,785	2,114
PR	1,520,909	494	3,079
DC	520,361	-	-
TOTAL	153,677,826	4,769,847	32

Nat'l Avg = 32

stateid	Totlines	Lines > \$100	Lines/>\$100
SD	255,527	12,796	20
MT	311,085	13,136	24
ND	235,548	9,079	26
WY	221,982	7,902	28
NE	792,539	25,861	31
MS	1,185,210	34,457	34
ID	578,972	16,549	35
AR	848,296	18,652	45
MO	2,881,496	57,617	50
OK	1,585,379	31,375	51
NM	725,499	13,737	53
MN	2,352,496	43,453	54
KS	1,222,537	22,371	55
WV	776,326	13,790	56
IA	995,730	16,129	62
AZ	2,225,122	32,992	67
TX	10,449,569	116,281	90
AL	2,101,681	22,103	95
WA	3,044,486	29,465	103
LA	2,161,959	17,123	126
CO	2,270,706	17,160	132
OR	1,376,480	8,962	154
ME	651,597	4,094	159
WI	2,650,099	16,074	165
NV	937,114	5,458	172
KY	1,672,422	9,235	181
IL	7,378,715	39,768	186
UT	935,397	4,311	217
VT	331,470	1,501	221
GA	3,881,849	14,888	261
SC	1,502,650	5,374	280
NH	724,804	2,320	312
MI	5,755,154	17,117	336
IN	3,168,932	8,366	379
VA	4,029,810	9,352	431
TN	2,713,895	6,215	437
CA	20,521,641	45,775	448
NC	3,950,135	6,827	579
AK	149,078	224	666
FL	9,479,041	12,555	755
OH	6,267,407	7,952	788
PA	7,258,883	7,755	936
HI	704,179	540	1,304
NY	11,702,236	7,205	1,624
MD	3,367,642	910	3,701
DE	509,854	95	5,367
MA	4,272,096	591	7,229
RI	643,137	77	8,352
NJ	5,887,531	191	30,825
CT	1,991,162	64	31,112
PR	1,520,909	12	126,742
DC	520,361	-	-
TOTAL	153,677,826	815,836	188

Nat'l Avg = 188

COMPANY			100% FEDERAL FUNDING OVER \$50				100% FEDERAL FUNDING OVER \$80 (See NOTE)			
	Total Lines	% TOTAL LINES	FUNDING	% FUNDING	Lines>\$50	% LINES > \$50	FUNDING	% FUNDING	Lines>\$100*	% > \$100*
AMERITECH	19,103,447	12.4%	\$109,243,144	3.9%	257,637	5.4%	\$67,357,732	3.5%	21,438	2.6%
BELL ATLANTIC	37,696,649	24.5%	\$219,929,790	7.8%	516,041	10.8%	\$139,705,390	7.2%	38,537	4.7%
BELL SOUTH	21,448,009	14.0%	\$390,824,241	13.8%	943,468	19.8%	\$238,828,760	12.3%	95,743	11.7%
GTE	16,857,144	11.0%	\$745,382,027	26.3%	1,196,680	25.1%	\$505,732,372	26.1%	221,728	27.2%
SBC	30,582,350	19.9%	\$504,851,804	17.8%	665,544	14.0%	\$360,734,425	18.6%	163,844	20.1%
SPRINT	6,643,764	4.3%	\$216,244,275	7.6%	497,989	10.4%	\$136,828,362	7.1%	51,110	6.3%
U S WEST	14,468,184	9.4%	\$518,398,899	18.3%	494,353	10.4%	\$394,972,793	20.4%	181,831	22.3%
OTHERS	6,878,281	4.5%	\$132,029,597	4.7%	198,136	4.2%	\$94,112,293	4.9%	41,606	5.1%
			\$2,836,903,776	100.0%	4,769,848	100.0%	\$1,938,272,127	100.0%	815,837	
TOTAL	153,677,826				3.1%				0.5%	

* NOTE: The highest aggregation of support is at \$80/month, while available line count breaks are at \$75 and \$100

Note: These figures are illustrative only, they use the "common inputs" specified by the FCC staff, and are not supported by either the BCPM or HAI model sponsors. Determination of exact funding requirements will require the final development of the FCC approved proxy cost model.